



California Public Employees' Retirement System
Human Resources Division
P.O. Box 942718
Sacramento, CA 94229-2718
TTY: (916) 795-3240
(916) 795-3065 phone • (916) 795-4011 fax
www.calpers.ca.gov

Agenda Item 3a

December 13, 2011

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. **SUBJECT:** First Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer and the CIO's Direct-Reporting Staff
- II. **PROGRAM:** Administration
- III. **RECOMMENDATION:** Recommend the Board Accept First Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer and the CIO's Direct-Reporting Staff

Recommend the Board Accept Changes to the Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer and Senior Investment Officer, Global Fixed Income

IV. ANALYSIS:

The Compensation Policies and Procedures provide that, following the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Attached are the quarterly status reports for the first quarter of the 2011-12 Fiscal Year (July 1 - September 30) for the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer, Chief Operating Investment Officer and Senior Investment Officers.

Proposed Changes to Performance Plans

Additional language is proposed to be included in the qualitative Management Driver performance measure for the performance plans of the Chief Executive Officer, Chief Actuary, General Counsel and Chief Investment Officer. The proposed changes include specific enterprise-wide goals which align these performance plans with those of all other CalPERS Executives. The proposed changes are shown in Attachment 1, in underline and strikeout format for the Committee's consideration.

One additional change proposed is to the quantitative Internal Passive Currency Overlay Management performance factor in the plan of the Senior Investment Officer, Global Fixed Income. This change would correct the benchmark identifier to reflect that it is a cost-adjusted benchmark. The proposed change is shown in the Senior Investment Officer's status report, in underline and strikeout format for the Committee's consideration. In accordance with the program policies and procedures, the change has been reviewed for clarity by the investment consultant.

V. RISKS:

A potential risk associated with not accepting staff's recommendation to approve performance plan changes would be the creation of inconsistency between the performance plan measures and priorities of the above-mentioned executives and all other CalPERS executives.

VI. STRATEGIC PLAN:

Under Goal III of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VII. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

KATRINA S. HAGEN
Chief
Human Resources

STEPHEN W. KESSLER
Deputy Executive Officer
Operations and Technology